



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

September 30, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **HUMAN SERVICES ASSOCIATION – A COMMUNITY AND SENIOR
SERVICES AREA AGENCY ON AGING PROGRAM SERVICE
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Human Services Association (HSA or Agency), which included a sample of transactions from Fiscal Years (FY) 2013-14 and 2014-15. Community and Senior Services (CSS) contracts with HSA to operate the Area Agency on Aging (AAA) Elderly Nutrition Program (ENP), Supportive Services Program, Linkages Program, and Family Caregiver Support Program.

The purpose of our review was to determine whether HSA provided the services outlined in their County contracts, and appropriately spent CSS Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their County contracts and other applicable guidelines.

CSS paid HSA approximately \$2.7 million during FY 2013-14 and approximately \$2.6 million during FY 2014-15 on a fee-for-service basis. The Agency provides services in the First, Second, and Fourth Supervisorial Districts.

Results of Review

HSA maintained documentation to support the number of units billed for non-meal related services during our review period. In addition, HSA appropriately charged payroll costs to the AAA Programs, and properly recorded revenue in their financial

records. However, the Agency did not always comply with their County contract requirements. For example, HSA:

- Inappropriately charged the AAA Programs \$22,640 in shared costs using old allocation rates, \$8,977 in shared costs that were not allocated to all benefiting programs, and \$6,190 in unallowable expenditures.

After our review, HSA re-allocated the \$22,640 in shared costs, and credited \$5,667 to the AAA Program for the unallowable expenditures. HSA's attached response indicates that the remaining questioned costs are for a prior accounting period that has been closed, and that they will work with CSS to appropriately resolve the costs.

- Billed CSS \$2,519 for 526 ENP home-delivered meals that were not supported with documentation.

HSA's response indicates that they will repay CSS \$2,519.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with HSA and CSS. HSA's attached response (Attachment II) indicates agreement with our findings and recommendations. CSS management will work with HSA to ensure our recommendations are implemented.

We thank HSA management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB

Attachments

- c: Sachi A. Hamai, Interim Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Ronald V. Garcia, Board President, Human Services Association
Leticia D. Chacon, Chief Executive Officer, Human Services Association
Public Information Office
Audit Committee

**HUMAN SERVICES ASSOCIATION
AREA AGENCY ON AGING PROGRAM
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2013-14 AND 2014-15**

BILLED SERVICES

Objective

Determine whether Human Services Association (HSA or Agency) maintained documentation to support the services billed in accordance with their Community and Senior Services' (CSS) contracts.

Verification

We reviewed all 9,019 January 2015 home-delivered meals for HSA's Agency Area on Aging (AAA) Elderly Nutrition Program (ENP), and also reviewed the January 2015 billings for the Supportive Services Program (SSP), Linkages Program (LP), and Family Caregiver Support Program (FCSP), and traced the total number of units billed to supporting documentation. In addition, we interviewed ten ENP participants, who received home-delivered meals, and visited three congregate meal sites.

Results

HSA maintained adequate documentation to support the number of non-meal related services billed for SSP, LP, and FCSP. In addition, the ten ENP participants interviewed indicated that they received their home-delivered meals as expected, and the meals were served as scheduled at the meal sites visited. However, the Agency billed CSS \$2,519 for 526 (6%) of the 9,019 ENP home-delivered meals without adequate documentation.

Recommendations

Human Services Association management:

- 1. Repay Community and Senior Services \$2,519.**
- 2. Ensure that services provided are supported with adequate documentation.**

CASH/REVENUE

Objective

Determine whether HSA properly recorded revenue in their financial records, deposited

cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed HSA personnel, and reviewed their financial records and January 2015 bank reconciliations for two bank accounts.

Results

HSA properly recorded revenue in their financial records, deposited cash receipts timely, and bank reconciliations were reviewed and approved by Agency management timely.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES**Objective**

Determine whether HSA's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to the AAA Programs were allowable, properly documented, and accurately allocated as required by the Office of Management and Budget Circular A-122 (OMB A-122), the Auditor-Controller Contract Accounting and Administrative Handbook (A-C Handbook), and their County contracts.

Verification

We interviewed Agency personnel, and reviewed their Plan and financial records for 44 non-payroll expenditures, totaling \$109,988, that the Agency charged to the AAA Programs from May 2014 through January 2015. Based on the results of our initial review, we expanded our sample to include an additional \$15,691 in shared expenditures charged from July 2014 to January 2015. As a result, we reviewed a total of \$125,679 in expenditures.

Results

HSA prepared their Plan in compliance with their County contracts. However, the Agency charged \$37,807 to the AAA Programs for costs that were inappropriately allocated or unallowable. Specifically, HSA charged:

- \$22,640 in shared costs (e.g., rent, copier, telephone, etc.) using old allocation rates. After our review, HSA re-allocated the costs, which resulted in \$9,968 in over billings.

- \$8,977 for maintenance, equipment, and consulting expenditures that were directly charged to either ENP or FCSP and not allocated to all benefiting programs.
- \$6,190 in unallowable expenditures to ENP including \$2,701 for entertainment costs, \$1,435 for membership fees, and \$1,531 in insurance and \$523 in maintenance costs for vehicles that did not benefit ENP. After our review, HSA credited \$5,667 (\$2,701 + \$1,435 + \$1,531) to ENP.

Recommendations

Human Services Association management:

3. **Allocate the \$8,977 in shared expenditures, and reduce the accounting records and close-out invoices by over allocated amounts.**
4. **Reduce the accounting records and close-out invoices by \$523 (\$6,190 - \$5,667) for the remaining questioned costs.**
5. **Ensure expenditures charged are allowable and allocated correctly to all benefiting programs.**

PAYROLL AND PERSONNEL

Objective

Determine whether HSA appropriately charged payroll costs to the AAA Programs in accordance with OMB A-122, the A-C Handbook, and their County contracts. In addition, determine whether the Agency maintained personnel files and obtained background clearances as required.

Verification

We compared the payroll costs for ten employees, totaling \$26,635 for January 2015, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

Results

HSA appropriately charged payroll expenditures to the AAA Programs. However, the Agency did not maintain the required Employee Acknowledgement and Confidentiality Agreements in all ten personnel files reviewed.

Recommendation

- 6. Human Services Association management ensure all Area Agency on Aging Program employees sign the required Employee Acknowledgement and Confidentiality Agreements.**

CLOSE-OUT REPORT

Objective

Determine whether HSA's Fiscal Year (FY) 2013-14 Close-out Reports for the AAA Programs reconciled to their financial records.

Verification

We compared the Agency's FY 2013-14 Close-out Reports to their financial records.

Results

HSA's FY 2013-14 Close-out Reports reconciled to their financial records.

Recommendation

None.



6800 Florence Ave.
Bell Gardens, CA 90201-4958

Where Caring Becomes Doing

Tel (562) 806 5400
Fax (562) 806 5394
www.hsala.org
agency@hsala.org

September 18, 2015

John Naimo
Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012

Re: Human Services Association – Contract Compliance Review

This letter is in response to the recommendations made in the contract compliance review of Human Services Association (HSA). We appreciate the cooperation of your staff in working with us to finalize the review process.

Review Summary

BILLED SERVICES

Recommendation #1 – Repay Community and Senior Services \$2,519.

Human Services Association's Response – AGREE
HSA will repay Community and Senior Services \$2,519.

Recommendation #2 – Ensure that services provided are supported with adequate documentation.

Human Services Association's Response – AGREE
HSA will ensure that all services provided in the future are supported with adequate documentation.

COST ALLOCATION PLAN/EXPENDITURES

Recommendation #3 – Allocate the \$8,977 in shared expenditures, and reduce the accounting records and close-out invoices by over allocated amounts.

Human Services Association's Response – AGREE
However, HSA will not be able to properly re-allocate the \$8,977 because the expenses related to a fiscal year (2013-2014) that has been closed. HSA is prepared to repay Community and Senior Services \$8,977 if the close-out invoices cannot be adjusted.

Recommendation #4 – Reduce the accounting records and close-out invoices by \$523 (\$6,190 - \$5,667) for the remaining questioned costs.

Human Services Association's Response – AGREE
HSA will repay Community and Senior Services \$523 for the unallowable cost.



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Recommendation #5 – Ensure expenditures charged are allowable and allocated correctly to all benefiting programs.

Human Services Association's Response – AGREE

HSA will ensure that expenditures charged in the future are allowable and allocated correctly to all benefiting programs.

PAYROLL AND PERSONNEL

Recommendation #6 – Human Services Association management ensure all Area Agency on Aging Program employees sign the required Employee Acknowledgement and Confidentiality Agreements.

Human Services Association's Response – AGREE

HSA will ensure all Area Agency on Aging Program employees sign the required Employee Acknowledgement and Confidentiality Agreements.

Your staff was highly competent, professional and cooperative throughout the contract compliance review.

Please feel free to contact me if you have any questions, 562-806-5400 ext. 158, or via email ricardo.mota@hsala.org

Respectfully,

A handwritten signature in blue ink, appearing to read "Ricardo Mota".

**Ricardo Mota, CPA
Chief Financial Officer**